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## **PSC LIMITS SCOPE OF NEW KENTUCKY-AMERICAN MERGER CASE, HEARING SET FOR OCTOBER 28**

**FOR IMMEDIATE RELEASE**  
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FRANKFORT, KY – The Kentucky Public Service Commission has set limits on its review of the proposed restructured purchase of the Kentucky-American Water Co. (KAWC) by a German company.

In a unanimous order issued today, the PSC said that it will not reconsider issues that were dealt with in its earlier approval of the acquisition of KAWC by Thames Water Aqua Holdings GmbH. The acquisition is part of a larger transaction involving the purchase of American Water Works Company, which owns Kentucky-American, by RWE AG, the parent company of Thames Water.

In its order, the PSC ruled that the new application represents a new transaction that must be reviewed to determine whether it meets state standards. But established legal doctrine and the fact that the earlier order has been appealed to Franklin Circuit Court bars the consideration of issues that were dealt with in the prior proceeding.

Changes in German tax laws prompted the parties to modify the transaction by creating a holding company, Thames Water Aqua US Holdings, Inc., (TWUS). On September 11, the parties asked the PSC to approve a new merger application that reflects the changed corporate structure.

The PSC rejected arguments by the Kentucky Attorney General's Office and the Lexington-Fayette Urban County Government that the new application represents a full reopening of the case and that there should be no limits on the issues that can be raised.

The PSC also denied motions by the Lexington-Fayette Urban County Government and Bluegrass FLOW, a citizens' group that intervened in the earlier case, to dismiss the new application pending resolution of their court challenges to the PSC's approval of the original application.

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"In the earlier proceeding, we considered the managerial, technical and financial ability of Thames Holdings and RWE to provide reasonable utility service; we also considered whether the transfer of control of KAWC to these parties is in the public interest," the PSC said. "We will not reconsider these issues."

By Kentucky law (KRS 278.020(4)(5)), the new proceeding "is limited to reviewing TWUS's qualifications and to determining whether the transfer of control of KAWC to TWUS is consistent with the public interest," the PSC said.

A public hearing in the case is set for 9 a.m. on October 28, at the PSC offices, 211 Sower Boulevard in Frankfort. The PSC will take comments from the general public prior to the formal portion of hearing, during which the parties to the case will present their sworn testimony.

The hearing will be Webcast on the PSC Web site at <http://www.psc.state.ky.us/>. Non-confidential documents filed in the case may be viewed on the PSC Web site. The case number is 2002-00317.

